Monday, September 22, 2025

Base metal markets are the talk of the town with copper taking center stage as prices hovered between six-week highs and sharp profit-taking declines. A combination of supply-side disruptions, weaker Chinese industrial output, and developments in U.S. monetary policy dictated market sentiment. While copper remained the most actively traded and closely watched metal, zinc and aluminium also recorded notable gains on supply tightness and shifting trade flows with growing buying interest.

Copper: Supply Disruptions vs. Profit-Taking

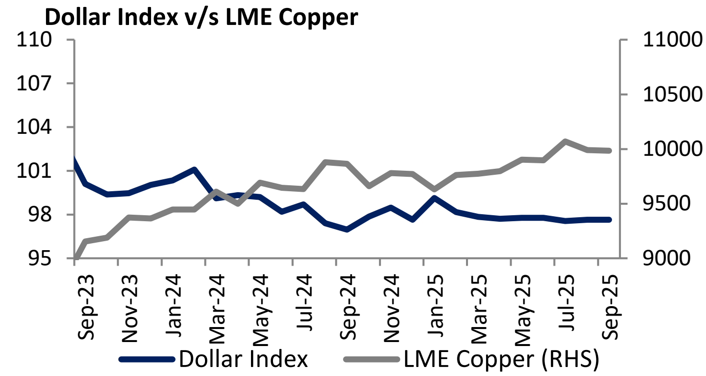
Copper prices surged to their highest level in six weeks primarily driven by tightening global supply conditions. China reported a 5% YoY decline in September production, effectively removing ~500,000 tons of refined copper from global markets. Adding to the supply crunch, Freeport-McMoRan announced the continued closure of its Grasberg mine in Indonesia as rescue operations for missing workers proceeded with five other workers remain missing following a mud flow incident on Sept. 8. Chilean state-owned mining company Codelco also is expected to take longer to return to full production than previously expected at its biggest mine, El Teniente. Prolonged suspension at mines could quickly tighten the market, intensifying long-running supply constraints that have supported prices this year.

However, sentiment shifted sharply following the Fed's policy decision of taking a 'risk management' cut to interest rates and made minor changes to the economic projections- which the market took as hawkish cut. Despite the pullback, copper remained cushioned on the downside. Persistent supply disruptions, from Chile's output challenges at Codelco's mines to expectations of further smelter production cuts in September and October which helped sustain buying interest.

Commodity	Copper	Aluminum	Zinc
Open	904.7	259.1	279
Close	906.65	257.20	276.25
Change	-7.20	-3.95	-3.65
% Change	-0.79%	-1.51%	-1.30%
Open Int.	2987	3109	2330
Change	-2607	-1632	-1292
Pivot	905.7	257.8	277.1
Resistance	908.8	259.0	278.9
Support	903.5	255.9	274.4

LME Inventory Weekly Market Data				
Commodity	Copper	Nickel	Aluminum	Zinc
Open	152625	224484	485275	50150
Close	147650	228444	513900	47825
Change	-4975	3960	28625	-2325
% Change	-3.26%	1.76%	5.90%	-4.64%

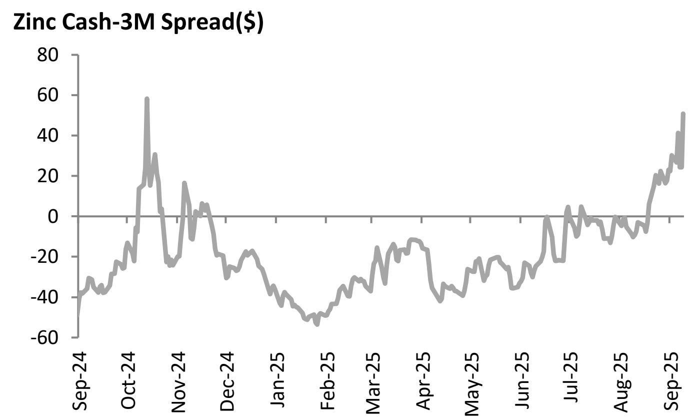
Zinc: Six-Month Highs Amid Tightening Supply



Source: Reuters

Zinc futures mirrored copper's bullish momentum early in the week, climbing above $2,960 per ton to touch a near six-month high. Prices found strong support from a weakening U.S. dollar as well as expectations of lower Chinese output. Beijing's renewed efforts to curb overcapacity in key industrial sectors added to supply concerns, with traders betting on tighter availability in the months ahead. Market participants appeared to focus more on anticipated policy stimulus from Beijing, which could eventually support demand. Zinc market has been in backwardation since around a month, fueling concerns about zinc availability and LME registered zinc stocks continued to decline, down to ~50000 tons—nearly a 75% drop since mid-April.

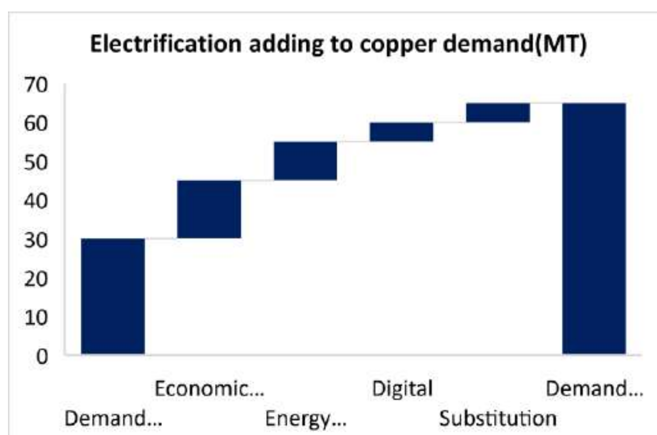
Aluminium: Stable but Supported by Tightness



Source: Reuters

Aluminium prices remained relatively stable throughout the week, but supply fundamentals continued to exert upward pressure. Inventories on the London Metal Exchange (LME) were nearly 45% lower, providing a solid base for prices. Trade flows were also reshaped by geopolitical developments. President Trump's 50% tariff on aluminium imports forced Canadian producers to divert shipments away from the U.S., with deliveries accounting for only 78% of total Canadian exports in Q2, compared with 95% in Q1. Meanwhile, China's production remained constrained, with annual output expected to fall short of the 45 million-ton cap. August production was already tracking at 44.5 million tons, indicating little room for expansion. Indonesian capacity for production is expected to reach only 2.3 million tons per year by 2030, which may not be enough to keep up with global demand growth, which is getting a booster from aluminium's usage in energy transition sectors such as solar and electric vehicles.

DXY, Fed Policy and Chinese Growth



Source: BHP

U.S. data earlier in the month showed a cooling labor market and subdued inflation, setting the stage for the Fed's widely anticipated rate cut. Federal Reserve cut its target federal funds rate by 25 basis points, the first of this year, bringing the target range to 4.00%–4.25%. FOMC said the move reflected a shift in the balance of risks toward the labor market after weaker jobs data, while stressing it will carefully assess incoming information and left the door open to additional easing later in the year.

Fed signaled a gradual path of future reductions rather than a large, immediate easing. Policymakers stressed that the labor market showed signs of softening, but inflation remained above target, making it premature to go cutting rates at a rapid pace. This message led markets to interpret the cut as more restrictive than dovish, lowering expectations for a rapid series of rate reductions and reinforcing the Fed’s stance that policy will remain data-dependent. DXY had been trading 11% lower YoY, but after the cautious cut, it gained momentum and inched higher from recent lows of 96 to almost 98-heading higher.

In China, industrial production slowed to 5.2% in August, undershooting forecasts and reinforcing concerns about weakening demand momentum. Nevertheless, traders remained optimistic that Beijing would step in with stimulus measures to stabilize growth. The People’s Bank of China (PBOC) held key lending rates at record lows for the fourth consecutive month, a move broadly in line with market expectations. China markets will also prepare for a week-long holiday beginning October 1 for National Day Golden Week.

Outlook:

Looking ahead, copper prices are likely to remain supported, with markets particularly sensitive to supply-side developments at key operations such as Grasberg in Indonesia and Codelco’s El Teniente in Chile with demand side story showing positive signs. Zinc and aluminium also continue to find underlying support from supply constraints, although weaker Chinese growth data dampened further gains. At the same time, the recent U.S. rate cut has introduced a cautiously optimistic tone, suggesting a more accommodative monetary environment ahead. However, any further strength in the U.S. dollar index could act as a headwind, potentially capping gains across the broader base metals complex.

Technical Outlook:

MCX Copper closed the week down 0.79%, yet maintained its bullish price structure characterized by higher highs and higher lows. The price action confirmed a breakout above the descending trend line, reinforcing the bullish momentum. Technical indicators remain constructive, with the price trading above the 21 EMA, indicating ongoing upward momentum, and the RSI positioned above 50, signaling sustained buying pressure. Key support levels are identified at ₹898 and ₹895, while resistance zones are pegged at ₹920 and ₹935. Provided these technical conditions hold, the prevailing bias is expected to remain bullish.

MCX Zinc declined approximately ₹3.65, or -1.30%, over the past week. However, on the daily timeframe, the price has broken above a descending trend line while preserving a bullish structure of higher highs and higher lows. The price is trading above the 21-day EMA, confirming sustained upward momentum. The 14-period RSI has reclaimed the 50 level, signaling strengthening bullish momentum. A buy-on-dips strategy is advised in the ₹277–₹275 zone, targeting resistance levels at ₹285–₹290, with critical support identified at ₹270 and ₹265.

MCX Aluminium ended the week lower by ₹3.95, or 1.51%. On the daily chart, the price has broken out of the recent consolidation range and is exhibiting a bullish structure with higher highs and higher lows, currently testing the breakout zone. The metal is trading above the 21-day EMA, reinforcing the bullish bias. A buy-on-dips approach remains favorable in this context. Key resistance levels are identified at ₹261 and ₹265, while support is critical at ₹253. A sustained close below ₹253 may indicate a potential shift in momentum and invalidate the current bullish setup.

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